



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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July 28, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **CALIFORNIA INSTITUTE OF HEALTH & SOCIAL SERVICES, INC.
DBA ALAFIA MENTAL HEALTH CONTRACT REVIEW – A
DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal contract compliance review of California Institute of Health & Social Services, Inc. dba Alafia Mental Health (CIHSS or Agency), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with CIHSS, a private non-profit community-based organization that provides services to clients in Service Planning Areas 1 and 6. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the Fourth District.

Our review focused on approved Medi-Cal billings. DMH paid CIHSS on a cost reimbursement basis between \$1.95 and \$4.00 per minute of staff time (\$117 to \$240 per hour) for services or approximately \$1.8 million for Fiscal Year (FY) 2007-08.

Purpose/Methodology

The purpose of our review was to determine whether CIHSS complied with its contract terms and appropriately accounted for and spent DMH program funds providing the

services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed Agency staff.

Results of Review

CIHSS staff assigned to the County contract possessed the required qualifications. CIHSS also maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner and the FY 2007-08 Cost Report reconciled with the Agency's accounting records. However, CIHSS did not always comply with the County contract requirements and billed DMH \$4,167 in questioned costs. Specifically, CIHSS:

- Did not provide documentation for 190 service minutes billed to DMH. The amount overbilled totaled \$401.
- Did not always complete the Assessments, Client Care Plans and Progress Notes in accordance with the County contract requirements.
- Charged \$1,842 for penalty fees that were unallowable expenditures. Subsequent to our review, CIHSS revised their Cost Report to reduce reported program expenditures by \$1,623 and agreed to repay DMH the remaining \$219 (\$1,842 - \$1,623).
- Charged \$1,924 for salary expenditures for a terminated employee.
- Charged payroll expenditures for three employees who worked on multiple programs based on estimates rather than actual hours worked each day for the DMH program.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed the results of our review with CIHSS and DMH on February 17, 2009. In their attached response, the Agency concurred with our findings and recommendations. The Agency also agreed to repay DMH \$620 (\$401 + \$219) and reduce their direct payroll expenditures for FY 2008-09 by \$1,924.

Board of Supervisors
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We thank CIHSS management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Dr. William T. Marshall, President, Board of Director, CIHSS Mental Health
Colleen Anderson, Executive Director, CIHSS Mental Health
Public Information Office
Audit Committee

**CONTRACT COMPLIANCE REVIEW
CALIFORNIA INSTITUTE OF HEALTH & SOCIAL SERVICES, INC. DBA ALAFIA
FISCAL YEAR 2008-09**

BILLED SERVICES

Objective

Determine whether California Institute of Health & Social Services, Inc. dba Alafia Mental Health (CIHSS or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We selected 40 billings totaling 2,867 minutes from 137,309 service minutes of approved Medi-Cal billings for July and August 2008. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 2,867 minutes represent services provided to 20 program participants.

Results

CIHSS generally maintained documentation to support the service minutes billed. However, the Agency did not provide documentation for 190 service minutes (40 minutes for Targeted Case Management Services and 150 minutes for Mental Health Services) billed to DMH. The overbilling totaled \$401. The Agency also did not complete some elements of the Assessments, Client Care Plans and Progress Notes in accordance with the County contract requirements.

Assessments

CIHSS did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis for three (15%) of the 20 clients sampled on their Assessments. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorder and the criteria for diagnosing them.

Client Care Plans

CIHSS did not complete the Client Care Plans in accordance with the County contract for 13 (65%) of the 20 clients sampled. Specifically:

- Seven Client Care Plans contained goals that were not observable and/or quantifiable.

- Six Client Care Plans contained goals that did not relate to the clients' needs identified in the Assessments.
- Four Client Care Plans did not contain goals and planned interventions for each type of treatment provided.
- Two Client Care Plans were not signed by the clients or parents/guardians indicating their participation in the development of the Client Care Plans as required by the contract.

The number of incomplete Client Care Plans in the examples above exceeds the overall number of Client Care Plans reviewed because some Client Care Plans contained more than one deficiency.

Progress Notes

CIHSS did not complete the Progress Notes in accordance with the County contract for seven (18%) of the 40 Progress Notes reviewed. Specifically:

- Four Progress Notes reviewed for Medication Support Services did not indicate that the clients were questioned about side effects, response to medication and medication compliance.
- Three Progress Notes billed for multiple staff but did not indicate the duration of services for the additional staff. The service minutes billed for the additional staff totaled 95 minutes. In addition, two of the three Progress Notes did not describe the specific contribution of the additional staff during the intervention.

Recommendations

CIHSS management:

1. **Repay DMH \$401.**
2. **Ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**

STAFFING LEVELS

Objective

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section, as the Agency did not provide services that require staffing ratios for this particular program.

Recommendation

None.

STAFFING QUALIFICATIONS**Objective**

Determine whether CIHSS' treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 18 of the 47 CIHSS treatment staff who provided services to DMH clients during July and August 2008.

Results

The Agency maintained documentation to support that each employee in our sample possessed the qualifications required to provide the services billed.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed CIHSS management and reviewed the Agency's financial records. We also reviewed the Agency's bank reconciliations for August 2008 for four bank accounts.

Results

CIHSS maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether CIHSS' Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the Plan to allocate appropriately the shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management and reviewed their financial records.

Results

CIHSS' Cost Allocation Plan was prepared in compliance with the County contract and the costs were appropriately allocated.

Recommendation

None.

EXPENDITURES

Objective

Determine whether program expenditures were allowable under the County contract, properly documented and accurately charged to the DMH program.

Verification

We reviewed financial records and documentation to support 28 non-payroll expenditure transactions charged to the DMH program between February and August 2008, totaling \$37,000.

Results

Generally, the Agency's expenditures were allowable, properly documented and accurately billed to DMH except, CIHSS charged DMH \$1,842 for penalty fees in Fiscal Year (FY) 2007-08. Subsequent to our review, CIHSS reduced the expenditures on their Cost Report by \$1,623 and agreed to repay the remaining \$219 (\$1,842 - \$1,623).

Recommendations

CIHSS management:

3. Repay DMH \$219.

4. **Ensure that only allowable program expenditures are charged to the DMH program.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether fixed assets and equipment charged to DMH were used by the DMH program and were adequately safeguarded.

We did not perform test work in this area, as CIHSS did not purchase any fixed assets and equipment with DMH funding.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the DMH program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures for 15 employees totaling \$31,573 to the payroll records and time reports for the pay period ending August 31, 2008. We also interviewed six employees and reviewed personnel files for seven employees.

Results

CIHSS properly maintained their personnel files. However, CIHSS billed DMH \$1,924 for salary wages paid to a terminated employee and charged payroll expenditures for three employees who worked on multiple programs based on estimates rather than actual hours worked each day for the DMH program.

Recommendations

CIHSS management:

5. **Reduce the direct payroll expenditures for FY 2008-09 by \$1,924.**
6. **Ensure that salary expenditures are supported by time reports that reflect the actual hours worked each day by program.**

COST REPORT

Objective

Determine whether CIHSS' FY 2007-08 Cost Report reconciled to the Agency's financial records.

Verification

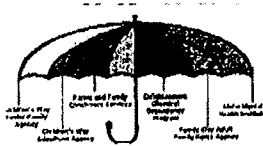
We traced the Agency's FY 2007-08 Cost Report to the Agency's general ledger.

Results

The total Agency expenditures listed on CIHSS' Cost Report reconciled to the Agency's accounting records.

Recommendation

None.



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May 29, 2009

Ms. Wendy L. Watanabe, Auditor-Controller
County of Los Angeles Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012

Subject: Response to Contract Compliance Review of California Institute of Health & Social Services, Inc. dba Alafia Mental Health

Dear Ms. Watanabe:

In response to the contract compliance review dated March 10, 2009, the California Institute of Health and Social Services, Inc. (CIHSS) has reviewed your recommendations and will implement the following Corrective Action Plan (CAP):

Billed Services Recommendation:

1. **Repay DMH \$401.00.**

CAP: CIHSS agrees to repay \$401.00 to the Department of Mental Health from non-DMH funds.

2. **Ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**

CAP: The Clinical Director and Quality Assurance Manager/Specialist shall ensure all Assessments, Client Care Plans and progress notes are completed properly and retained in the respective client's folders. All staff will be trained on compliance and completeness in accordance with the County contract.

Expenditure Recommendations:

3. **Revise the FY 2007-2008 Cost Report to reduce the reported program expenditures by additional \$219.00 and repay DMH for any excess amount received.**

CAP: CIHSS agrees to repay the unallowable expenditure of \$219.00 to the Department of Mental Health from non-DMH Funds.

Wendy L. Watanabe
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4. **Ensure that only allowable program expenditures are charged to the DMH Program.**

CAP: CIHSS fiscal department has revised its chart of accounts and implemented policies and procedures to post unallowable program expenditures.

Payroll and Personnel Recommendations:

5. **Reduce the direct payroll expenditure for 2008-2009 by \$1, 924.00**

CAP: CIHSS shall ensure the direct payroll expenditure reported in FY 2008-2009 is not included in the cost report for FY 2008-2009.

All future payroll expenditures charged to DHM shall be based on the current cost allocation plan - total actual salaries expenses from each program divided by the actual salaries expense.

6. **Ensure that salary expenditures are supported by time reports that reflect the actual hours worked each day by program.**

CAP: All employees of CIHSS salary expenditures are supported by time reports based on their percentage of time as determined by the current years cost allocation plan. We recognized this method as the most equitable and efficient method to allocate salary expenditures. The salary expenditure verified in the report were for indirect personnel, i.e. Accountants, Director of Administration and Executive Director, whose salary expenditure will be charged to DMH based on our current allocation plan.

We appreciate the recommendation outlined in this report and shall ensure all recommendations are implemented immediately.

Sincerely,



William T. Marshall, PhD
President/CEO

Cc: Colleen Anderson, Executive Director, CIHSS
Diana Dyce Weaver, CFO, CIHSS
Jerzy Monkiewicz, Clinical Director, CIHSS
William T. Fuijoka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health